

# The Rising Costs of Health Care: Strategic Insights for 2026

Health care costs have surged in recent years, and this trend shows no signs of slowing. Industry sources project that health care costs are likely to increase by 6.5% in 2026, with some estimates exceeding 10%. As costs climb, offering competitive health benefits has become a major challenge for employers. In fact, Zywave's 2025 Broker Services Survey found that balancing attractive benefits with rising health care costs is the top HR and employee benefits concern amongst employers.

## Key Drivers of Cost Increases

This section examines the key drivers shaping the rising costs of health care in 2026.

### GLP-1s

Growing demand for GLP-1 drugs continues to be a top factor in rising health care costs. Surveys find that more employers are covering GLP-1s for weight loss, causing a significant impact on employer-sponsored health care spending.

GLP-1 medications typically cost around \$1,000 per month without insurance and are intended to be taken long-term to achieve their benefits fully. This means that GLP-1 users may experience health benefits but will be required to use these high-cost treatments on an ongoing basis.

These costly medications have exploded in popularity. A recent RAND report revealed that 12% of Americans have used GLP-1 medications for weight loss, and 14% are interested in using the drugs. Moreover, the number of prescriptions for these drugs has more than tripled since 2020.

KFF's 2025 Employer Health Benefits Survey revealed that 1 in 5 (19%) firms with 200 or more workers and 43% of firms with 5,000 or more workers covered GLP-1 drugs for weight loss in 2025. With demand at an all-time high, employers will have to make difficult decisions about coverage and cost containment in the coming year.

### Specialty Medications

The specialty drug market continues to expand rapidly, driven by a surge in approvals of biosimilars and gene and cell therapies by the U.S. Food and Drug Administration (FDA)

and a robust pipeline of innovative therapies. These high-cost, high-impact treatments are reshaping the pharmaceutical industry, with specialty drugs now accounting for the majority of new drug approvals. Around 80% of all FDA approvals in 2025 fell into the specialty category, reflecting a shift toward more targeted, complex therapies for chronic and rare conditions. A report from the HHS found that around half of drug spending falls under the specialty category, with this number expected to continue to climb. Employers should continue to monitor how specialty drugs will impact their health care spending.

### Cancer Care

Cancer care remains one of the most significant cost drivers for employers due to the growing prevalence of diagnoses and the escalating cost of treatment. Cancer diagnoses are increasing, not just among older adults but also among younger working-age individuals. This means more employees and dependents are entering treatment, often requiring long-term care. New and innovative therapies, including chimeric antigen receptor T-cell therapy, immunotherapies, targeted drugs and personalized medicine, may offer better outcomes but come with high price tags. These treatments can often cost hundreds of thousands of dollars per patient.

For smaller employers, plan participants receiving high-cost cancer treatments remain low. However, even a single claim of high-cost treatments can significantly impact the overall spending of group health insurance and disrupt annual health budgets. With more treatments entering the workforce and more diagnoses occurring, cancer care will disrupt health care spending in 2026 and beyond.

### Health Care Labor Costs

Labor costs remain a large expense in health care, accounting for 56% of hospital expenses, according to the American Hospital Association. Yet the supply of health care workers continues to lag behind growing demand, driven by an aging population, rising utilization, retirements and insufficient new talent entering the field.

This workforce shortage is fueling wage inflation and increasing provider costs. When hospitals and health systems spend more on labor, those costs are often passed on through higher reimbursement rates, ultimately impacting employer-sponsored health plans and the individuals who rely on them.

### Chronic Health Conditions

Chronic conditions remain the dominant driver of U.S. health care spending, accounting for 90% of the nation's \$4.9 trillion annual health care costs. These chronic conditions include heart disease, stroke, cancer, diabetes, arthritis and obesity. Today, 6 in 10 adults have at least one chronic condition, and more than half of U.S. adults report multiple chronic conditions.

Cardiovascular disease alone illustrates the scale of the challenge. The American Heart Association estimates that heart disease and stroke could affect over 60% of older adults in the United States by 2050 and reach \$1.8 trillion in related expenses. This estimate suggests that inflation-adjusted costs related to cardiovascular diseases would triple over the coming decades.

Employers are feeling the impact. According to KFF, 75% of large employers said that chronic diseases contributed to higher premiums[BK1]. With the rising rates of obesity and diabetes, chronic disease prevalence will likely continue to climb in 2026 and beyond, making cost management and impactful preventive strategies critical for employers.

### Aging Populations

While life expectancy in the United States has increased significantly over the past 50 years, birth rates have trended down. According to Congressional Budget Office projections, life expectancy at birth is expected to increase from 78.9 years to 82.3 years from 2025 to 2055, and life expectancy at age 65 is projected to increase from 19.7 years to 21.8 years. On the other hand, data published in 2025 from the Centers for Disease Control and Prevention revealed that birth rates continue to decrease, with 2024 showing lower birth rates than 2023.

The Centers for Medicare and Medicaid Services reported that per-person personal health care spending for the 65-and-older population is around five times higher than spending per child and almost 2.5 times the spending per working-age person. Despite making up a smaller percentage of the population, this category accounts for a sizable proportion of health care spending, largely driven by their likelihood of having chronic conditions. With more Americans entering retirement age, the impact of an aging population is likely to continue increasing overall health care spending.

## Employer Takeaway

Health care costs will continue to rise in 2026 and beyond, driven by factors including specialty drugs, GLP-1 medications, cancer care, chronic conditions, an aging population and labor shortages. While most employers can't expect to fully offset projected increases, they can prepare by focusing on three priorities:

- 1. Targeted cost mitigation**—Employers can explore programs that address high-cost areas, such as specialty pharmacy management, chronic disease prevention and site-of-care optimization.
- 2. Employee communication and engagement**—Transparent communication about benefit changes and available resources will be critical to maintaining trust and supporting informed health care decisions.
- 3. Cost-sharing strategies**—Adjustments to plan design, including higher deductibles, coinsurance and tiered networks, can offset some portion of projected increases.

Rising costs may be unavoidable, but informed employers who anticipate these trends will be better positioned to manage financial impact and maintain competitive benefits in a challenging market.